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[Redacted]

YUGOSLAVIA: The party leadership will meet today on Tito's Brioni Island retreat to tackle the federation's problems with Croatian nationalism.

The meeting will climax several months' bickering over Yugoslavia's pending government reforms in which the Croatian leadership has been particularly obstinate in pressing regional demands. Tito earlier this month expressed his concern over what he called unnecessary arguing and promised to call the presidium into a session lasting until the party leaders could resolve their differences. He also indicated he would identify by name, and possibly purge, those high-level officials obstructing the reforms.

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BULGARIA: Sofia has obtained a four-year hard-currency credit from CEMA's International Bank for Economic Cooperation.

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[redacted] the loan is to enable the Bulgarians to meet their hard-currency repayment commitments, in particular two credits totaling \$36 million obtained from Moscow Narodny Bank in London in 1969-70. The Bulgarians probably are paying interest of approximately 14 percent, or about twice that required if funds were available directly from Western banks.

The exact amount of the new credit is not known, but Bulgaria's total hard-currency indebtedness probably amounts to more than \$350 million. This situation was caused mainly by a spending spree for Western machinery and equipment in 1964-66 during which indebtedness grew at a rate of \$85 million a year. It was worsened considerably by Bulgaria's failure to expand hard-currency exports after 1966.

Although hard-currency imports were reduced in 1967-68, Sofia was forced to turn to the Soviets for aid in late 1968. Subsequent Soviet credits apparently succeeded in tying Bulgaria more closely to the USSR, while only partly solving Sofia's financial difficulties. [redacted]

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